E. C. No. 215

ESTIMATES COMMITTEE
1960-61

HUNDRED AND TWENTY-FIRST REPORT

(SECOND LOK SABHA)

MINISTRY OF COMMERCE AND INDUSTRY
Coffee Board, Bangalore

LOK SABHA SECRETARIAT
NEW DELHI
March, 1961/Chaitra, 1883 (Saka)
Price : Re. 0-40 nP.

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36. The New Book Depot, Modi No. 3, Nagpur.
37. The Popular Book Depot (Registered), Lamington Road, Bombay-7.
38. Sahitya Sangam, Booksellers, 44, Lok Manya Vastu Bhandar, Dadar, Bombay-28.

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74. City Book Sellers, Sohanganj Street, Delhi.

75. Dhanwantra Medical & Law Book House, 1522, Lajpat Rai Market, Delhi-6.

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77. Freeland Publications Private Limited, II-A/16, Lajpat Nagar, New Delhi

78. Hind Book House 82. Janpath, New Delhi.

79. The Imperial Publishing Company, 3, Faiz Bazar, Daryaganj, Delhi-6.

80. Jayana Book Depot Chapparwala Kuan Karol Bagh, New Delhi.,

81. Jain Book Agency Connaught Place, New Delhi.

82. J. M. Jaina, & Brothers, Mori Gate, Delhi-6.

83. Lakshmi Book Stores, 42, M. M. Janpath, New Delhi.

84. Mehra Brothers, 50-G, Kalkaji, New Delhi-19.

85. M. Gulab Singh & Sons Private Limited, Press Area, Mathura Road, New Delhi.

86. The New Book Depot, P.O. Box No. 96, Connaught Place, New Delhi.

87. Oxford Book & Stationery Company, Scindia House, Connaught Place, New Delhi-1.

88. People's Publishing House, Rani Jhansi Road, New Delhi-1.

89. Rama Krishna & Sons, 16-B, Connaught Place, New Delhi.

90. Sikh Publishing House Private Limited, 7-C, Connaught Place, New Delhi.

91. The United Book Agency, 48, Amrit Kaur Market, Paharganj, New Delhi.

MANIPUR

92. Shri N. Chaoba Singh, Newspaper Agent, Ramlal Paul High School, Annexe, Imphal, Manipur.

AGENTS IN FOREIGN COUNTRIES

U.K.

93. The Secretary, Establishment Department, The High Commission of India, India House. Aldwych, LONDON, W.C. 2.

CORRIGENDUM

Hundred and Twenty-First Report of Estimates Committee (II LS) on the Coffee Board.

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1. *Page 12, Para 27, Marginal Heading:*
   Read 'at' *for* 'as'

2. *Page 21, Footnote :*
   Read 'composition' *for* 'composion'

3. *Page 23, Table:*
   Read 'Triage' *for* 'riage'

4. *Page 24, Table:*
   Read 'Triage' *for* 'Driage'

125.-LSRP.-3-4-51.-1250.

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INTRODUCTION

I, the Chairman of the Estimates Committee, having been authorised by the Committee to submit the Report on their behalf, present this Hundred and Twenty-first Report on the Ministry of Commerce and Industry—Coffee Board.

2. A general examination of the published Annual Reports and Accounts of the Coffee Board for the year ending 31st July, 1960 was conducted by the Sub-Committee of the Estimates Committee on Public Undertakings whose Report thereon was finally approved by the whole Committee.

3. A statement showing an analysis of the recommendations contained in this Report is also appended (Appendix IV).

4. The Committee wish to express their thanks to the Officers of the Ministry of Commerce and Industry and the Coffee Board for placing before them the material and information that they wanted in connection with the examination of the Annual Reports and Accounts of the Coffee Board.

NEW DELHI;
The 28th March, 1961.
The 7th Chaitra, 1883 (*Saka*).

H. C. DASAPPA,
Chairman,
Estimates Committee.

ESTIMATES COMMITTEE
1960-61

CHAIRMAN

Shri H. C. Dasappa

MEMBERS

2. Shri Premji R. Assar
3. Shri C. R. Basappa
4. Shri Chandra Shankar
5. Shri Panna Lal*
6. Shri Shambhu Charan Godsora
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28. Shri A. M. Tariq
29. Shri Mahavir Tyagi
30. Shri M. G. Uikey.

SECRETARIAT

Shri A. K. Ray—*Deputy Secretary.*
Shri M. C. Chawla—*Under Secretary.*

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*Elected w. e. f. 25th November, 1960, *vice* Shri Dinesh Singh resigned.

I

BACKGROUND & FUNCTIONS

A. The Story of Coffee

A very interesting story is told about the introduction of coffee into India. It is said that more than 350 years ago a holy man called Bababudan Sahib announced to his followers that he had decided to go on a pilgrimage to Mecca and disappeared into a cave. Through the long months that followed his disciples, both Hindu and Muslim, watched and waited at the mouth of the cave till the holy man reappeared and told them that he had brought from Arabia as a gift for them seven seeds of a wonderous plant which would serve as "food and drink". These were coffee seeds. They were planted on the Chandragiri hills which came to be known as the Bababudan Hills. The cultivation of coffee on commercial scale, however, began in this country only in the middle of the last century. Initially, coffee grown in the country was largely exported. The domestic market came later.

Extent of Coffee growing area.

2. Coffee is grown mainly in the three Southern States of India on the foot hills of the Western Ghats at an elevation of 2500 to 4500 feet above the sea level. On 1st August, 1958, the area under coffee was 2,68,472 acres made up of 1,64,215 acres of Arabica and 1,04,257 acres of Robusta. More than 50 per cent of the area under coffee is in the Mysore State which grows nearly 70 per cent of the coffee produced in the country.

Export earnings and yield from Duty.

3. The total annual production of coffee in the country during 1960-61 is estimated to be 53,000 metric tonnes and exports are estimated at 20,000 metric tonnes. In 1960, the exports of coffee fetched Rs. 670 lakhs in foreign exchange. The duties of Excise and Customs on coffee realised by Government during 1959-60 amounted to Rs. 146 lakhs and Rs. 8 lakhs respectively.*

B. Historical Background:

Coffee Cess Committee formed in 1935.

4. The Indian Coffee Cess Act was passed in 1935 at the instance of the planters. The Act provided for the levy of cess on all coffee exported from India. The Indian Coffee Cess Committee constituted under the Act was empowered

*The figures of Excise and Customs Duties have been taken from the Explanatory Memorandum to the Budget for 1961-62 pages 14 and 16. At the time of factual verification the Ministry, however, stated that these figures were Rs. 14 lakhs and Rs. 6 lakhs respectively.

to utilise the proceeds of this cess for the administration of the Committee, the promotion of the sale and consumption of coffee and for agricultural and technological research.

Coffee Market Expansion Board constituted.

5. With the outbreak of war in 1939 India lost its foreign markets and a great slump in the prices of coffee followed. To save the industry from collapse the Indian Coffee Cess Act was replaced in December, 1940 by the Coffee Market Expansion Ordinance for the purpose of controlling the marketing of Indian coffee. The Indian Coffee Market Expansion Board was constituted under the provisions of the Ordinance. This introduced the Pool Sales arrangement and the new task of regulating the internal market devolved on this Board. In 1942, the Ordinance was replaced by the Coffee Market Expansion Act (No. VII of 1942). The Act was amended first in 1947, and further in 1954.

C. Functions:

Departments of the Board.

6. The Headquarters of the Coffee Board are situated in Bangalore. At present its office is housed in a hired building; a building for the Board, estimated to cost Rs. 18 lakhs, is under construction.

7. There are four Departments of the Board, *viz.*, Marketing, Propaganda, Research and Development with a Secretariat to coordinate the activities of the various Departments. The Board discharges the functions through its Committees. Its functions, as given in the Act, are as follows:—

1. The promotion of the sale and consumption in India and elsewhere of coffee produced in India.

2. The promotion of agricultural and technological research in the interest of the coffee industry.

3. Assistance to coffee estates for their development.

4. The securing of better working conditions and provision and improvement of amenities for workers.

5. The working of the control measures enumerated in the Act relating to the operations of the surplus pool.

D. Production, Consumption and Exports

8. The following statement gives the production, internal consumption and exports of coffee and their value for the last seven years:—

Year	Production*		Internal** Consumption (In tonnes)	Exports**	
	Quantity in tonnes	Value (Rs. in lakhs)		Quantity (in tonnes) (Raw Coffee only)	Value (Rs. in lakhs)
1954-55	25,427	851	21,911	10,303	753
1955-56	35,028	1,383	22,647	4,376	238
1956-57	42,572	1,698	24,189	7,779	557
1957-58	44,490	1,556@	26,623	13,448	762
1958-59	46,605	1,573@	27,570	14,869	708
1959-60	49,380	1,608@	30,105	14,408	609
1960-61	53,355 (Estimates)	N.A.†	30,004	N.A.†	N.A.†

Though the quantity of coffee produced in India is not very large compared to the principal coffee producing countries of the world, being a little over 1 per cent of the total world production, Indian coffee is noted for its quality and fine aroma. Till recently its principal export market was London where it was used largely for blending purposes. Now West Germany, U.S.S.R. and other European countries are also among the important importers of Indian coffee.

E. Composition of the Board

9. The Coffee Board consists of a Chairman appointed by the Government of India and 32 Members representing various interests. The present composition of the Board is given in Appendix I(A)††. Section 8-A of the Act provides that the Board shall elect from amongst its members a Vice-Chairman who shall exercise such of the powers and perform such of the duties of the Chairman as may be prescribed or as may be delegated to him by the Chairman. No such powers have been, however, prescribed for or delegated to the Vice-Chairman. The Committee were informed by the representative of the Ministry that it was for the Chairman

Duties of Vice-Chairman not prescribed.

*Crop year (August—July).

**Calendar year.

@Subject to revision.

†Not Available.

††The composition of the Board before the promulgation of the Coffee Market Expansion (Amendment) Act, 1954, as well as a note explaining in brief the changes that were made by the new Act are also given in Appendix I (B) & (C).

to prescribe and delegate certain functions to the Vice-Chairman but that had not been done as 'probably no such need was felt'.

Appointment of Chief Marketing Officer as Chairman.

10. The Committee understand that on the Chairman of the Coffee Board relinquishing his office on the 30th April, 1960, the Chief Marketing Officer of the Board was appointed by Government to perform the duties of Chairman from that date, till the 2nd September, 1960, when a new Chairman was appointed. This arrangement was stated to have been made as a 'temporary expedient'.

11. *The Chief Marketing Officer is an employee of the Board. The Committee consider it anomalous that he should have been entrusted with the duties of the Chairman of the Board inclusive that of presiding over the meetings of the Board in the latter's absence in preference to the Vice-Chairman. Normally, the Vice-Chairman of the Board should have been called upon to officiate for the Chairman in the circumstances. The fact that no powers had been prescribed for or delegated to the Vice-Chairman of the Board could not be any justification for bringing in an employee of the Board to be its head. What was worse, the Chief Marketing Officer was not even a member of the Board. The Committee consider that in the absence of the permanent Chairman of the Board, or pending his appointment, it is the Vice-Chairman who should be called upon to perform the duties of the Chairman and in his absence any other member of the Board and in no case an employee of the Board, who is not a member thereof. If need be, suitable provision to this effect may be made in the Rules.*

II

DEVELOPMENT OF COFFEE INDUSTRY

A. Assistance to Estates

Assistance to small growers.

12. One of the main functions of the Coffee Board is to render assistance to the Coffee Estates for their development. The Chairman of the Board informed the Committee that the bigger planters had enough resources of their own. The scheme of assistance started in 1956-57, under the 15-year Development Plan of the Board, was therefore confined to the small growers. The grant of assistance to coffee estates for their development was provided for as a measure within the scope of General Fund with effect from 1st August, 1955 only. Prior to this date, under the old Act, the General Fund was used only for expenditure on Propaganda, Research and Secretariat.

B. Development Plan

Scheme under the Plan.

13. The Board created a Development Department in October, 1956 to administer its 15-year Development Plan. A Development Committee was also constituted in 1958. To enable the industry to achieve the production and other targets fixed in the Plan, the following forms of assistance were envisaged:—

(i) Monetary assistance in the form of loans to estates below 50 acres in extent and accelerated pool payments on crop to estates up to 100 acres in extent;

(ii) Facilities for obtaining approved seed;

(iii) Facilities for securing fertilizers and pesticides by small growers;

(iv) Assistance for organising co-operative pulping and spraying units or for buying pulpers or sprayers; and

(v) Technical and advisory services.

The Development Department was made responsible for (i) and (iii). The rest were entrusted to the Research Department. The main insistence was, however, on providing monetary assistance by the grant of loans.

C. Loan Scheme

Financial Aid to small growers.

14. The Government of India agreed in 1956 to grant a loan of Rs. 2,61,42,500 to the Coffee Board bearing interest at 4¾%. This was to be utilised towards the grant of financial and other aids to small growers and to be drawn from Government in instalments over a period of five years. The following statement shows the annual provisions made by Government and the actual drawals by the Coffee Board during this period:—

Year	Provision by Government	Actually drawn by the Board	Percentage of 3 to 2	Sanctioned by the Board to growers*	Paid to growers 6 to 3
1	2	3	4	5	6
	Rs.	Rs.		Rs.	Rs.
1956-57	49,22,500	—	—	9,20,986	—
1957-58	39,60,000	52,450	1·3	1,14,761	37,925
1958-59	51,00,000	2,87,700	5·6	1,56,016	2,93,393
1959-60	60,55,000	2,83,400	9·7	9,18,156	2,73,88
1960-61	61,05,000	4,00,000	6·6	3,52,798	4,10,235
Total	2,61,42,500	10,23,550	4	24,62,717	10,15,435

Performance of the Loan Scheme.

15. *It will be seen that over the past five years about 4 per cent. of the funds earmarked by Government were drawn and disbursed by the Board.. This was not an encouraging performance.* The Committee were informed that the poor performance of this scheme was due mainly to the legal difficulties relating to mortgage transactions, which the Board, as a lender, could not possibly relax. Recently (in May, 1960) the Board had modified some of the other terms and conditions governing the grant of loans. *The Committee are unable to understand why such remedial measures were not taken by the Board much earlier. They feel that adequate thought was not given to the different aspects of the scheme before it was put into operation. They trust that the remedial measures taken by modification of the terms and conditions of loans would prove effective and the Board would be able to show a much better performance from* 1960-61.

*The figures represent loans sanctioned on applications registered during the year and not loans sanctioned during the year as shown here. The disposal of each yearly batch of applications may continue over the following years.

D. Fertilizers for small growers

16. The arrangements made with two private firms in 1956-57 to supply fertilizers and pesticides to small growers could not be continued during 1957-58 as none of the firms addressed was prepared to supply Ammonium Sulphate at prices within the retail ceiling fixed by Government to the estates situated in interior region. *The scheme had, therefore, to be abandoned by the Board after the very first year of its inception. Thus another of the major Schemes under the Development Plan has not proved successful.*

Scheme for the supply of Fertilizers abandoned.

E. Development Department

17. The expenditure incurred on the Development Department since its inception is as follows:—

1956-57	Rs. 0.76 lakhs
1957-58	Rs. 1.76 lakhs
1958-59	Rs. 1.18 lakhs
1959-60	Rs. 1.20 lakhs
TOTAL.	Rs. 4.90 lakhs

18. This Department has thus spent Rs. 5 lakhs on its administration during the last four years. Against this expenditure of Rs. 5 lakhs the total amount of loans disbursed by the Department was Rs. 6 lakhs and the amount sanctioned by the Board but not disbursed was Rs. 15 lakhs. The cost of disbursing each rupee of loan thus works out to approximately 83 nP. Even if the amount sanctioned but not disbursed is also taken into account, the cost would be about 24 nP. for each rupee sanctioned. *The Committee feel that the Development Deptt. has hardly justified its existence. It is time that it is wound up and its work re-distributed suitably.*

Development Department should be wound up.

F. Production of Coffee

19. The Development Plan of the Board fixed a target of 59,000 tons of Coffee during a period of fifteen years from 1956-57 to 1971-72. The production target for 1960-61 was 36,000 tons. The figures of the production of Coffee since 1954-55 are given in the Table in paragraph 8. It would appear from those figures that the production of Coffee during 1956-57 (42,000 tons) surpassed the target (36,000 tons) fixed for 1960-61. *Since the production has been steadily rising the target fixed for 1971-72 is likely to be achieved very much earlier. The targets fixed under the Board's Development Plan would thus appear to have been*

Targets of Production.

Targets surpassed.

not merely very much conservative but wholly unrelated to the possibilities. The Committee were informed that this matter had been examined by the working Group on Coffee appointed by Government who had recommended that by the end of the Third Five Year Plan the target of Coffee production should be 80,000 tons. *The Committee hope that adequate statistical data would be collected and current trends of production carefully analysed before revised targets under the Third Plan are fixed.*

20. *Further, encouraging as the progress has been in recent years, the yield per acre in India seems to be still* 50% *of the World's average.. There is, therefore, room for increasing per acre output. It would be interesting if the Board could give figures of increased production under the following heads in its Reports:—*

(i) *Increased yield from the existing acreage*;

(ii) *Yield from the reclamation of abandoned tracts of established coffee*; *and*

(iii) *Expansion by way of new clearings and plantations.*

III

MARKETING AND PROPAGANDA

Marketing and Propaganda Committees and Departments.

21. The Board has constituted a Propaganda Committee and established a separate Propaganda Department. There is also a separate Marketing Committee with a separate Marketing Department to look after the Coffee Marketing Scheme.

Amalgamation of the Marketing and Propaganda Departments.

22. An expert Committee was appointed by Government in August, 1958, to review the marketing system adopted by the Coffee Board. The Report, submitted by this Committee in June, 1959, is stated to be under consideration of Government. The Expert Committee has observed that in the major commercial organisations, publicity is regarded as a handmaid of marketing—the first prepares the field and the other serves it. A similar view was expressed by the United Planters' Association of South India in their Memorandum submitted to the Expert Committee, *viz.*, "Market promotion is a part of marketing and should organisationally be closely related to it." *The Expert Committee, therefore, recommended a Marketing and Publicity Committee in lieu of the existing two Committees. The Committee endorse this recommendation and suggest that the feasibility of amalgamating the Marketing Department and the Propaganda Department of the Board also may be examined without delay.*

A. Price Policy

Surplus Pool and Price Fixation.

23. Under Section 25(1) of the Coffee Act, all coffee produced by a registered estate in excess of a small specified quantity is taken over by the Board for inclusion in the surplus pool. Usually, the grower is allowed to retain a quantity required for seed and domestic use. This pooled quantity is sold by or through the Board. The Board controls internal prices. Selling price is determined with the object of giving a fair return to the grower and assuraing a reasonable price to the consumer. The average price of the different

types of Coffee in pool sales during the last four years was as follows@:—

Serial No.	Type	July 1957	July 1958	July 1959	July 1960
		(Rs. per Cwt.)		(In Rs. & nP. per 50 Kgs.)	
1.	Plantation 'A'	224·88	220.09	249.35	223.19
2.	Arabica Cherry Flats.	199.96	194.48	190.76	178.52
3.	Robusta Cherry Flats.	159.67	157.73	155.97	156.53

24. The following table shows the cost of production, fair return arrived at and the actual payment made per point† of Coffee during the last four years :—

Sl. No.	Season	Based on cost of production (including a 10% return and interest on working capital)	Fair return based on the average of the payments made to the growers during the past 7 years ending 1954-55.	Actual payment made to the growers by the Board.
1	2	3	4	5
1.	1956-57*	2.22	2.39	2.81
2.	1957-58*	2.33	2.39	2.51
3.	1958-59**	2.23	2.35	2.45
4.	1959-60**	2.04	2.35	2.20 (estimated)

Decline in the actual payments to Coffee Growers.

It will be seen that the actual payment made to the growers has been steadily declining and in 1959-60 it even fell below the average of payments made to the growers during the 7 years ending with 1954-55. The actual payments are, however, higher than the minimum return based on the cost of production including interest and 10% return on working capital. To prevent further decline in actual payments as a result of falling export prices, internal release price had been raised from Rs. 2.12 nP. to Rs. 2.20 nP. per point with effect from 1st October, 1958. It was apprehended by the Board that any further increase in the minimum relsease price might result in consumers' resistence in the home market.

@The figures for 1957 and 1958 have been taken from the Annual Report of the Coffee Board Vol. II for 1957-58, p. 34 and those for 1959 and 1960 from the Boards' Annual Report, 1959-60, p. 41.

*Refers to 'Per Cwt basis'.

**Refers to 'Per 50 Kg.' basis.

†The explanation of the term 'point' furnished by the Coffee Board is given in Appendix II.

25. The Expert Committee on Coffee Marketing in their Report also referred to the apprehension expressed by many well-informed observers that the world prices may even go below Indian Internal Prices and under the circumstances it may not be possible to maintain a minmum release price calculated in accordance with the practice adopted by the Board hitherto. *The Committee feel that the present pricing policy should be examined to see in what way it requires modification to give a fair return to the grower and to encourage exports while avoiding too high an internal price.* Examination of pricing policy.

B. Coffee Exports

26. The quantity of Coffee received in the Pool is allocated by the Board for internal and export market. The internal allocation provides for an increase over the previous year's consumption. The allocation for export depends, among other factors, on the world market for coffee. The actual exports of Coffee during the last five years are as follows:— Allocation for Internal and Export Markets.

Crop year	Total Prod. of coffee in the country.	Plantation	Ar. Cherry	Robusta	Total exports	%age of total exports to Production
			(In Metric Tonnes)			
1	2	3	4	5	6	7
1955-56	35,028	6,147	1,325	610	8,082	23.4
1956-57	42,572	11,038	3,325	1,109	15,472	36
1957-58	44,490	9,595	3,273	1,413	14,281	32.2
1958-59	46,605	8,168	3,130	5,102	16,400	35.3
1959-60	49,380	11,343	2,712	4,487	18,542*	37.5

27. The exports of Coffee during the year 1956-57 to 1958-59 have continued more or less at the same level. The export of Plantation Coffee, said to be the most preferred variety in the world market, actually fell. In 1959-60 it is proposed to export a larger quantity, with a higher proportion of Plantation Coffee. The Committee were informed by the representative of the Ministry that in Government's view there should be more exports in order to earn more foreign exchange. The Coffee Board, however, thought that internal market should also be nursed as a stable factor, and would like larger quantities to be released for Export level stationary.

*(Export allocation as decided by the Marketing Committee).

the internal market as well as for exports. *The Committee are of the view that the export of coffee has to be specially encouraged to increase earnings of foreign exchange. Indian coffee is now faced with keen competition in the world market and special measures are called for not only to increase our exports but even probably to retain them at the present level. The Committee feel that it may be desirable for this purpose to export Indian coffee at comparatively lower prices even though that may require pegging of domestic consumption.*

Larger Export at lower prices

C. **Propaganda Abroad**

Propaganda for increased exports.

28. Attempts to increase exports of Indian coffee have necessarily to be supported by suitable propaganda. The expenditure incurred on promotion of sales of coffee abroad during the last 4 years has been as follows:—

1956-57	.. ..	Rs. 4,220
1957-58	.. ..	Rs. 4,360
1958-59	.. ..	Rs. 8,399
1959-60	.. ..	Rs. 11,512

The total expenditure on propaganda and sales promotion in India was as follows:—

1956-57	..	Rs. 2,78,647
1957-58	..	Rs. 6,34,947
1958-59		Rs. 13,99,201
1959-60	..	Rs. 7,30,045

Pooling the Propaganda Resources of Commodity Boards.

Obviously, much has not been done for foreign propaganda and the emphasis has been on the internal market. It is understood that the Board is planning to improve the existing arrangements in this respect. *In view of the imperative necessity of increasing exports of coffee, the Committee hope that prompt and adequate measures will be taken in this direction. In case it is considered that the resources available at the disposal of the Coffee Board are not adequate, the feasibility of pooling the resources of a number of Commodity Boards/Committees for this purpose may be examined.*

IV

LABOUR WELFARE

Provision for Labour Welfare.

29. It appears that no provision of expenditure for labour welfare was made by the Board prior to 1957-58. A provision of Rs. 1 lakh made during 1957-58 was not utilized. In 1958-59 only Rs. 0.86 lakh were spent on this account.

30. Details of the expenditure incurred in 1958-59 are not available in the published accounts. In 1959-60 grants totalling Rs. 1 lakh were given to the hospitals in Balehonnur, Koppa, Kalpetta and Yercand. Out of the provision of Rs. 1 lakh for 1960-61, Rs. 50,000 are proposed to be granted in the form of stipends to the children of workers in the coffee estates and Rs. 50,000 to be utilized for Medical aid.

Performance of the Board in regard to Labour Welfare needs improvement.

31. The Committee were informed in this connection that it was originally intended that the funds set apart for labour welfare measures should be administered by the Board itself. But later on, it was decided by the Board that the amount may be funded into a trust and made over to the three State Governments of Mysore, Madras and Kerala. While it was intended to make over the amounts during 1957-58 itself, it could not be done as the execution of the trust deeds was not got completed during that year. Payment of the amounts to the State Governments could, therefore, be made only during 1958-59. *The Committee feel that the performance of the Board in this respect needs to be improved considerably.*

Board's Expenditure only a supplemental assistance.

32. The number of workers employed in coffee plantations is two lakhs. Thus, the *per capita* expenditure incurred at present on labour welfare by the Board works out to only Rs. 0.50 nP. per annum. When asked whether Government considered that the current level of expenditure on labour welfare was adequate to discharge the Board's responsibilities under Section 31(2)(e) of the Coffee Act, both the Additional Secretary to the Ministry and the Chairman of the Board agreed to 'consider this aspect'. The latter also observed that there was certain obligation cast on the planter himself in this regard and, so far as the Board was concerned, funds available with it would be only

a sort of supplemental assistance to that already given by the planters. *The Committee have no data to appreciate the adequacy or otherwise of the amenities provided to the workers by the planters themselves. It, however, seems to the Committee that very little has been done by the Board so far in this direction. They hope that the Board will take up the matter for consideration earnestly and be able to show better performance in future.*

V

RESEARCH

Research Committee.

33. Promotion of agricultural and technological research in the interest of Coffee industry is a very important function entrusted to the Board under Section 31(2)(b) of the Act. The Research Department of the Board looks after this under the guidance of the Research Committee.

Beginning of Research by the Board.

34. Research on Coffee was started by private effort in 1926. The Coffee Board made a start in 1946 by taking over the Coffee Experimental Station at Balehonnur from the Government of Mysore. Later, in 1947, the Board also took over the Sidapur Experimental Station (Coorg) from the United Planters Association of India. It soon became evident to the Board that an extension source of trained personnel had to be established and it was accordingly decided to start the liaison Service in 1953. Since that date there has been considerable increase in the activities of the Research Department.

Equipment of Research Laboratories.

35. Dr. Coleman, retired Director of Agriculture in Mysore, who visited the State in 1953, observed that "the equipment in the laboratories devoted to the various branches of research is very unsatisfactory and out of date." Based on Dr. Coleman's views, the Plantation Enquiry Commission in its Report on Coffee recommended that an expert scientific committee should enquire into the working of the Research Department of the Board and make suitable recommendations on the measures to be taken to strengthen the research section in order to increase its usefulness to the Planting community. The Government of India accepted this proposal of the Commission and the Coffee Board appointed an Evaluation Committee which commenced its work in September, 1960 and was expected to submit its Report before the end of 1960. The Committee are not aware of the findings of the Evaluation Committee.

Budget Provisions for Research.

36. It is, however, seen that against a budget provision of Rs. 1.72 lakhs and Rs. 2.16 lakhs for Development Works in the years 1957-58 and 1958-59 the actuals were Rs. 1.19 lakhs and Rs. 1.56 lakhs respectively. In the first six months of 1959-60, only Rs. 0.28 lakhs were spent on capital works and Rs. 0.35 lakhs on Development Works against the budget estimates of Rs. 6.0 lakhs and Rs. 2.56 lakhs respectively.

Shortfalls in capital and development expenditure.

37. These shortfalls were stated to be due to non-purchase of equipments owing to hardening import restrictions and also due to non-execution of or delay in execution of certain construction works. The representative of the Ministry informed the Committee that Government would examine to what extent there had been a shortfall in capital expenditure on account of difficulties of foreign exchange and felt that the Coffee Board should get the necessary foreign exchange for import of equipment. *The Committee hope that suitable action will be taken to see that the Research Stations do not suffer from want of necessary equipment.*

Achievements of the Research Department.

38. Referring to the achievements of the Research Department the Chairman of the Board informed the Committee that the most important achievement was the disease resistent strains evolved fifteen years ago. These strains had become very popular. Further a total quantity of 66,400 pounds of improved seeds estimated to cover about 66,000 acres had been so far distributed. Figures were not, however, available to show how much of it had been actually planted and with what results. *It would be desirable in the Committee's opinion to have a follow up of the results of application of the fruits of research. The findings of such a follow up could also be usefully mentioned in the Board's Annual Report.*

VI

ANNUAL REPORTS AND ACCOUNTS

Financing of the Board's General and Pool Funds.

39. The Board gets its finances from two sources: the General Fund and the Pool Fund. The General Fund is made up of all amounts paid to the Board by the Central Government from out of the proceeds of the duties of customs and of the duty of excise and of any fees levied under the Coffee Act. The Pool Fund consists of the sale proceeds of the Coffee delivered by registered Coffee growers. The cost of administering all the departments other than the Marketing Department is met from the General Fund. The Budget Estimates in respect of the General Fund after adoption by the Board are sent to Government for sanction. In the case of the Pool Fund, the Budget Estimates are placed before the Board for sanction and not sent to the Government. Similarly, the Accounts of the Pool Fund together with the Audit Reports are placed before the Board for adoption and not submitted to Government.

Budget Estimates and Accounts of Departments not included in Annual Reports.

40. The Annual Report of the Coffee Board contains neither the accounts of any department not their Budget Estimates. Only an abstract of the Receipts and Payments Account of the General Fund is appended to the Report. A full picture of the financial position of the Board during a year cannot obviously be obtained from this statement. Nor can the actual expenditure be compared to the Budget estimates.

Need for Income and Expenditure Account.

41. Normally, a non-commercial organisation is required to prepare an Income and Expenditure statement to give a full picture of its incomings and outgoings over a specified period. A Receipts and Payments Account is really a reproduction of the Cash Book and does not reflect the results of its operation during a year. *The Committee, therefore, recommend that the Board should include the Income and Expenditure Account for each of its Departments financed out of the General Fund as well as a consolidated Income and Expenditure Account for all the Departments in the Annual Report. Further, in order to have a complete picture of the financial position of the Board as a whole, it would be desirable if the Accounts of the Pool Fund are also included in the Annual Report.*

Programme-Cum-Performance Reports.

42. It appears that the Annual Report of the Board gives merely a narrative of the activities of each department during the year and does not contain an appraisal of its performance *vis-a-vis* the approved programmes. *The Committee suggest that the Annual Report of the Board should be a comprehensive record of its programme-cum-performance. The Coffee Statistics which were hitherto published as Volume IV of the Annual Report may continue to be published separately.*

VII

MISCELLANEOUS

A. Evaluation

Evaluation of the Board's activities.

43. Discussing the question of assistance to the Coffee Estates, the Committee enquired about the role played by the Board and how far it had helped in the development of the Coffee Estates. The Chairman of the Board replied that no 'actual assessment has been made'. The Additional Secretary to the Ministry, however, agreed that a brief statement could be prepared as had been done by the other Commodity Boards. *The Committee recommend that a periodical assessment of the working of the Coffee Board with reference to its prescribed objectives and functions should be undertaken by an agency independent of the Board, and its report presented to Parliament. They would further recommend that a similar assessment in respect of all the Commodity Boards/Committees under Government should also be undertaken.*

B. General

Need for fostering the Coffee Industry.

44. *Recent years have witnessed a phenomenal progress in the Coffee Industry. It is one of the main cash crops in the hilly tracts of the Western Ghats. The Coffee Board has evidently been a stabilising factor. The Committee, however, feel that the trends need careful watching, especially with a falling international market. If for any reason, Coffee does not become paying there is no alternate crop that can be raised on the same hill slopes. It is not only important to the economy of the areas, otherwise backward, but also it has been a consistent foreign exchange earner. Every effort should be made to foster the industry so that the objectives of the Board are fully realised.*

NEW DELHI;
The 28th March, 1961.
The 7th Chaitra, 1883 (*Saka*).

H. C. DASAPPA,
Chairman,
Estimates Committee.

APPENDIX I

(*Vide* Para 9)

Composition of the Coffee Board

(A) The present composition of the Board is given below [Section 4(2) of the Coffee Act]:—

Coffee growers	..	12
Coffee trade	..	3
Coffee curing establishment	..	1
Labour	..	4
Coffee consumers	..	3
Members of Parliament	..	3
Governments of Madras, Mysore and Kerala—one each	..	3
'Other Interests'	..	3
	Total:	32

Six of the 12 grower members represent large growers and 3 each, small growers and robusta growers respectively. The growers' seats are distributed as follows among the three States of Madras, Mysore and Kerala:

Large Growers—5 for Mysore State and one for Madras State;

Small Growers—one each for Madras, Mysore and Kerala States; and

Robusta Growers—one each for Madras, Mysore and Kerala States.

(B) Composition of the Board before the Coffee Market Expansion (Amendment) Act, 1954 was enforced:—

The Board had 30 Members representing the various interests as follows:—

Coffee Growers	..	14
Trade	..	4
Labour	..	3
Government of India	..	2
Coorg	..	1
Madras	..	1
Mysore	..	3
Travancore-Cochin	..	2
	Total:	30

(C) The special features* of the Coffee Board under the 1954 Act are briefly as follows:—

1. There is partly a redistribution and partly an expansion of interests represented on the Board. As against 30 members in the previous Board there are now 34 members including the Chairman appointed by Government.

2. The State Governments of Madras, Mysore, Coorg and Travancore-Cochin have an equal representation on the Board, one member each. The Central Government had previously 2 representatives but do not have any on the Board now. They can however depute any officer to attend the meetings of the Board and take part in the proceedings thereof without having the power to vote.

3. The growers were formerly selected by the various Planters' Associations to serve on the Board. The constituencies are now the States where coffee is grown to an appreciable measure—Madras, Mysore and Coorg. Coffee Growers of these three States are allotted 4 representatives each. In the matter of coffee acreage and/or production these three States stand at more or less the same level.

4. One of the 4 grower members from each State represents the small growers and another the robusta growers. These are nominated by Central Government. The remaining 2 members, who will represent the large growers in the State, are to be elected by the large growers themselves.

5. The coffee trade is represented by 3 members and the curers by one member. Formerly the trade had 4 members on the Board of whom one used to be always a representative of the coffee curing interests. This convention is regularised in the amended Act and there is no material departure from the previous practice in this regard.

6. The representation of labour interests has been strengthened by allotting them 4 seats as against 3 in the previous Board.

7. Consumer interests are now represented as such, for the first time on the Board by 3 members.

8. For the first time the Parliament is represented on the Board, 2 seats being allotted to the Lok Sabha and 1 to the Rajya Sabha.

9. The provision made for nomination of 3 members to represent such other interests as in the opinion of the Central Government are to be represented is new.

10. Another very important provision in the Act relates to the appointment of Chairman. The Chairman of the Board was previously elected by the members from among themselves. The elected Chairman used to be either the Vice-Chairman of the Indian Council

*The note is based on the Introduction to the Annual Report of the Coffee Board 1954-55, Vol. I. This is the comparative picture of the position immediately obtaining before and after the promulgation of the 1954 amendment. There have been slight changes particularly consequent on the re-organisation of States, in the *present* compos - tion of theBoard.

of Agricultural Research or the Minister of the Government of Mysore representing that Government on the Board except once when a planting member was elected to the Chairmanship. In view of the expanded functions of the Board Government felt it necessary that the Board should have a Chairman who could devote all his time exclusively to the affairs of the Board and also establish proper liaison between the Government and Industry as well as betwixt the diverse sectors within the Industry itself. It is with this object that Government have taken powers under the amended Act to appoint a full-time Chairman for the Board.

APPENDIX II

(*Vide* paragraph 24)

Explanation of the term "point" used by the Coffee Board in price fixation

The coffee crop consists of three main types of Coffee, *viz.* Arabica Plantation, Arabica Cherry and Robusta. Under these main types, there are several grades as well. In accordance with sub-Section 4 of Section 25 of the Coffee Act, the Board has adopted a scale which is called the Price Differential Scale for classifying the various varieties of coffees delivered for inclusion into the Pool according to its kind and quality. The scale is based on a system of points for each type and grade depending upon the quality of coffee. The scale is generally drawn up on the market performance of each variety of coffee.

Plantation is the first quality coffee and in this, "A" is the main grade. This grade was therefore adopted as the standard on the basis of which points for other types and grades might be fixed. In 1951, when the Price Differential Scale was drawn up, the price of Plantation A coffee was Rs. 40 per Cwt. It was therefore decided to fix the Price Differential Scale at 80 points per Cwt. for Plantation A, (of fair average quality) so that the value per point would be 8 annas. The points for the other types and grades were fixed with reference to the 80 points fixed for Plantation A depending on the market performances of these grades as compared to Plantation A grade. The quantity of coffee in each grade multiplied by the points awarded for the grade determines the total number of points earned by that grade of coffee delivered by the grower. The net sale proceeds of the coffee sold by the Board divided by the total number of points earned by all the growers determine the value per point that could be paid to the planter. After determining this rate, payment is made to each planter according to the total number of points earned by each.

The following example will illustrate how the points are calculated:

The price Differential Scale for a year is given below:

Plantation		Grade	Ar. Ch. points	Rob. Ch. points	Rob. Parch points
Grade	Points				
PB	88	PB	75	56	60
A	80	Flats (Clean garbled)	69	53	57
B	78	Bulks (5% triage)	67	51	55
CT	74	Blacks and Browns	50	46	47
Black and Bits	54	Bits	40	36	37

An estate delivers the following coffee which the panel of assessors has classified as shown in the last column

	PB	A	B	CT	Blacks and Bits	Classfication awarded
Plantation (in Cwts)	11½	50	20	18	½	FAQ+2 (for qualilty).
Cherry (in Cwts)	30 Cwts (Ungraded Bulk)					FAQ—1 (for excess Driage).

The valuation of coffee will be—

	PB	A	B	CT	Blacks & Bits	Total
Plantation	11½ (88+2)	50 (80+2)	20 (78+2)	18 (74+2)	½×54	8,130
			80	(67—1)		1,980
						10,110

NOTE.—Points for variation in quality do not apply to Blacks & Bits.

Assuming that all estates together are awarded 20,00,000 points and that all the coffee in the pool have realised Rs. 30,00,000 less all expenses, the estate considered above would receive in dividends a total of

$$\text{Rs. } \frac{10{,}110 \times 30{,}00{,}000}{20{,}00{,}000} = \text{Rs. } 15{,}165$$

The value per point will be Rs. 1-8-0.

On the basis of the points awarded, valuation reports are prepared for every lot of coffee as indicated above and sent to the respective owners with copies to the Pool Agents concerned.

APPENDIX III

Summary of Recommendations/Conclusions

Serial No.	Paragraph No. of the Report	Recommendation/Conclusion
1	2	3
1	11	The Chief Marketing Officer is an employee of the Board. The Committee consider it anomalous that he should have been entrusted with the duties of the Chairman of the Board inclusive that of presiding over the meetings of the Board in the latter's absence in preference to the Vice-Chairman. Normally, the Vice-Chairman of the Board should have beeen called upon to officiate for the Chairman in the circumstances. The fact that no powers had been prescribed for or delegated to the Vice-Chairman of the Board could not be any justification for bringing in an employee of the Board to be its head. What was worse, the Chief Marketing Officer was not even a member of the Board. The Committee consider that in the absence of the permanent Chairman of the Board, or pending his appointment, it is the Vice-Chairman who should be called upon to perform the duties of the Chairman and in his absence any other member of the Board and in no case an employee of the Board, who is not a member thereof. If need be, suitable provision to this effect may be made in the Rules.
2	15	The Committee feel that adequate thought was not given to the different aspects of the Loan Scheme before it was put into operation. They trust that the remedial measures taken by modification of the terms and conditions of loans would prove effective and the Board would be able to show a much better performance from 1960-61.
3	16	The scheme for the supply of fertilisers and pesticides to the small growers had to be abandoned by the Board after the very first year of its inception. Thus another of the major schemes under the Development Plan has not proved successful.

1	2	3
4	18	The Committee feel that the Development Department has hardly justified its existence. It is time that it is wound up and its work re-distributed suitably.
5	9	The targets of coffee production fixed under the Board's Development Plan would appear to have been not merely very conservative, but wholly unrelated to the possibilities. The Committee hope that adequate statistical data would be collected and current trends of production carefully analysed before revised targets under the Third Plan are fixed.
6	20	Encouraging as the progress has been in recent years, the yield per acre in India seems to be still 50 per cent. of the world's average. There is, therefore, room for increasing per acre output. It would be interesting if the Board could give figures of increased production under the following heads in its reports :— (*i*) Increased yield from the existing acreage ; (*ii*) Yield from the reclamation of abandoned tracts of established coffee ; and (*iii*) Expansion by way of new clearings and plantations.
7	22	The Expert Committee on Coffee Marketing appointed by Government recommended a Marketing and Publicity Committee in lieu of the existing two Committees (Marketing Committee and Propaganda Committee) of the Coffee Board. The Committee endorse this recommendation and suggest that the feasibility of amalgamating the Marketing Department and the Propaganda Department of the Board also may be examined without delay.
8	25	The Committee feel that the present pricing policy should be examined to see in what way it requires modification to give a fair return to the grower and to encourage exports while avoiding too high an internal price.
9	27	The Committee are of the view that the export of coffee has to be specially encouraged to increase earnings of foreign exchange. Indian coffee is now faced with keen competition in the world market and special measues are called for not only to increase our exports but even probably to retain them at the present level. The Committee feel that it may be desirable for

1	2	3
		this purpose to export Indian coffee at comparatively lower prices even though that may require pegging of domestic consumption.
10	28	Much has not been done for foreign propaganda and the emphasis has been on the internal market. In view of the imperative necessity of increasing exports of coffee, the Committee hope that prompt and adequate measures will be taken for making propaganda abroad. In case it is considered that the resources available at the disposal of the Coffee Board are not adequate, the feasibility of pooling the resources of a number of the Commodity Boards/Committees for this purpose may be examined.
11	31	The Committee feel that the performance of the Board in regard to the utilisation of funds provided for labour welfare measures needs to be improved considerably.
12	32	The Committee have no data to appreciate the adequacy or otherwise of the amenities provided to the workers by the planters themselves. It, however, seems to the Committee that very little has been done by the Board so far in this direction. They hope that the Board will take up the matter for consideration earnestly and be able to show better performance in future.
13	37	The Committee hope that suitable action will be taken to see that the Research Stations do not suffer from want of necessary equipment.
14	38	It would be desirable in the Committee's opinion to have a follow-up of the results of application of the fruits of research conducted by the Coffee Board. The findings of such a follow-up could also be usefully mentioned in the Board's Annual Report.
15	41	The Committee recommend that the Board should include the Income and Expenditure Account for each of its Departments financed out of the General Fund as well as a consolidated Income and Expenditure for all the Departmets in the Annual Report. Further, in order to have a complete picture of the financial position of the Board as a whole, it would be desirable if the Accounts of the Pool Fund are also included in the Annual Report.

1	2	3
16	42	The Committee suggest that the Annual Report of the Board should be a comprehensive record of its programme-*cum*-performance. The Coffee Statistics which were hitherto published as Volume IV of the Annual Report may continue to be published separately.
17	43	The Committee recommend that a periodical assessment of the working of the Coffee Board with reference to its prescribed objectives and functions should be undertaken by an agency independent of the Board, and its report presented to Parliament. They would further recommend that a similar assessment in respect of all the Commodity Boards/Committees under Government should also be undertaken.
18	44	Recent years have witnessed a phenomenal progress in the Coffee Industry. It is one of the main cash crops in the hilly tracts of the Western Ghats. The Coffee Board has evidently been a stabilising factor. The Committee, however, feel that the trends need careful watching especially, with a falling international market. If for any reason, coffee does not become paying, there is no alternate crop that can be raised on the same hill slopes. It is not only important to the economy of the areas, otherwise backward, but also it has been a consistent foreign exchange earner. Every effort should be made to foster the industry so that the objectives of the Board are fully realised.

APPENDIX IV.

Analysis of Recommendations contained in the Report

I. *Classification of Recommendations:*

A. *Recommendations for improving the organisation and working*:
1, 2, 5, 11, 12, 13, 14, 17.

B. *Recommendations for effecting economy which include suggestions for increasing the production* :
4, 6 and 7.

C. *Miscellaneous* :
3, 8, 9, 10, 15, 16, 18.

II. *Analysis of important Recommendations directed towards economy* :

Serial No.	No. as per summary of Recommendations	Particulars
1	4	The Development Department should be wound up.
2	6	There is room for increase in per-acre output.
3	7	Amalgamation of the Market and Propaganda Committees and Departments.

III. *Monetary Value of Economy* :

The abolition of the Development Department would result in a saving of over Rs. 1 lakh annually.

It is not possible to calculate the monetary value of the economies which might be effected as a result of the implementation of other recommendations cited in I. B. above.

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